

Message Text

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FOLLOWING REPEAT SAN SALVADOR 1184 SENT ACTION SECSTATE
INFO BRASILIA GUATEMALA LIMA LONDON MANAGUA PANAMA RIO
DE JANEIRO SAO PAULO CARACAS TEGUCIGALPA MEXICO SANTO DOMINGO
SAN JOSE USDA MAR 10.
QUOTE UNCLAS SAN SALVADOR 1184

E.O. 11652: N/A

TAGS: EAGR, ETRD, ES

SUBJECT: COFFEE: CENTRAL MILDS PRODUCERS MEETING SAN SALVADOR

1. REPRESENTATIVES OF EIGHT CENTRAL MILD PRODUCERS
ARE MEETING IN SAN SALVADOR MARCH 9 AND 10 TO DISCUSS
COORDINATION OF SALES POLICIES IN THE FACE OF THE
RECENT DROP IN COFFEE PRICES. COSTA RICA, DOMINICAN
REPUBLIC, GUATEMALA, HONDURAS, MEXICO, NICARAGUA, PERU
AND VENEZUELA ARE REPRESENTED AT THE MEETING. THE
AGENDA REPORTEDLY CONSISTS OF AN ANALYSIS OF THE
CURRENT MARKET SITUATION, A STUDY OF THE SUPPLY OF
CENTRAL MILD COFFEE AND A CONSIDERATION OF
MEASURES TO BE TAKEN IN VIEW OF THE DROP IN
PRICES. IN THE WORDS OF A SALVADORAN COFFEE
COMPANY (COSCAFE) SPOKESMAN, "THIS IS THE TIME
TO TAKE DEFENSIVE MEASURES AGAINST THE STRONG
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PAGE 02 STATE 066191

MANEUVERS OF THE CONSUMING COUNTRIES, WHICH
HAVE PROVOKED A DANGEROUS DROP IN THE PRICE OF
COFFEE." A SERIES OF WORKING GROUPS ARE MEETING
MARCH 9 AND A PLENARY SESSION TO CONSIDER THE
RESULTS OF THE WORKING GROUPS' DELIBERATIONS IS
SCHEDULED FOR MARCH 10.

2. ORIGINALLY CONCEIVED AS A MINISTERIAL LEVEL MEETING, IT NOW APPEARS THAT ONLY EL SALVADOR WILL BE REPRESENTED AT THAT LEVEL. THE ABSENCE OF COLOMBIA FROM THE MEETING ALSO APPEARS TO ROB IT OF SOME SIGNIFICANCE. DELEGATIONS REPORTED IN THE PRESS ARE AS FOLLOWS:

(1) COSTA RICA: TOBIU UMANA AND ALVARO JIMENEZ.

(2) DOMINICAN REPUBLIC: JUAN PABLO DUARTE, VICE MINISTER OF AGRICULTURE; JORGE CUIEL AND ANDRES LOCKWOOD.

(3) GUATEMALA: JUAN ROHRMAN, VICE MINISTER OF AGRICULTURE; TEDDY PLOCHARSKI, PRESIDENT OF THE NATIONAL COFFEE ASSOCIATION; ENRIQUE ROESCH, GREGORIO PADILLA, EDUARDO GONZALES AND DR. BENJAMIN CHINCHILLA.

(4) HONDURAS: FERNANDO D. MONTES, DIRECTOR OF THE HONDURAN COFFEE INSTITUTE; RODIL RIVERA, CLAUS SCHNAU, MANUEL FONTECHA, CARLOS GUN OSCAR KAFATI AND JUAN DIEGO MOLINA.

(5) MEXICO: FAUSTO CANTU PENA, DIRECTOR OF THE MEXICAN COFFEE INSTITUTE; DANIEL MORALES, UNCLASSIFIED

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PAGE 03 STATE 066191

CARLOS DOSAL GARIBAY, NICASIO MUGUIRA REVUELTA, MIGUEL CARDENAS TIJERIAN, MANUEL CHAVEZ BUENDIA, ENRIQUE RODRIGUEZ AND JUAN OSORIO.

(6) NICARAGUA: DR. JAIME FERNANDEZ, VICE MINISTER OF ECONOMY; IVAN ROSALES, DIRECTOR OF THE NICARAGUAN COFFEE INSTITUTE; FABIO GALLO, FRANK BENDANA, AUGUSTIN GOMEZ AND JOSE A. BUITRAGO.

(7) PERU: GIAN NICOLA TEDALDO AND CARLOS BRACAMONTE.

(8) VENEZUELA: PEDRO ANGEL VASQUEZ, DIRECTOR OF THE NATIONAL COFFEE FUND.

3. FOR EL SALVADOR, THE MEETING CONVENED IN AN ATMOSPHERE OF CRISIS AS THE WORLD PRICE DROPPED AND INTERNAL CRITICISM OF THE POLICIES OF THE SALVADORAN COFFEE COMPANY AND ITS DIRECTOR, RICARD FALLA, MOUNTED. PRIVATE SECTOR GROWERS, PROCESSORS AND EXPORTERS APPEAR TO BE DEEPLY DISSATISFIED WITH FALLA'S MANAGEMENT OF THE COUNTRY'S

COFFEE POLICY. THE COMPANY OPENED EXPORT
REGISTERS LATE IN THE HARVEST, AND SET A MINIMUM
EXPORT PRICE WELL ABOVE WORLD MARKET LEVELS.
THIS FORCED MOST PRODUCERS TO SELL TO COSCAFE, AS
PRIVATE EXPORTERS WERE REULCTANT TO ASSUME THE
RISK OF MEETING THE COMPANY'S INTERNAL PRICE AND
IN EFFECT SPECULATING ON A RISE IN THE INTER-
NATIONAL PRICE TO THE LEVEL OF THE MINIMUM EXPORT
PRICE. THE COMPANY LATER RESTRICTED ITS PURCHASES
TO GROWERS FINANCED BY THE COMPANY AND THEN SUS-
PENDED PURCHASES ALTOGETHER BEFORE THE FEBRUARY
ICO MEETING, LEAVING GROWERS WHO HAD NOT SOLD HAND-
ING. PURCHASES MAY HAVE BEEN SUSPENDED BECAUSE OF
CAHS FLOW PROBLEMS. IN ADDITION, THE COMPANY'S
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PAGE 04 STATE 066191

POLICY OF RESTRICTED SALES HAS CAUSED A SERIOUS
CREDIT SQUEEZE, AS COFFEE RECEIPTS ARE NOT FLOW-
ING INTO THE BANKING SYSTEM, AND HAS ADERSELY
AFFECTED THE LEVEL OF INTERNATIONAL RESERVES AND
GOVERNMENT REVENUES. THE VIEW OF LOCAL TRADE
SOURCES APPEARS TO BE THAT ONLY EL SALVADOR HAS
HELD TO THE LATE OCTOBER AGREEMENT OF CENTRAL MILDS
PRODUCERS TO RESTRICT SALES AND HAS THUS BEEN THE
GOAT OF THAT AGREEMENT. FALLA FOUGHT BACK BY
CHARGING CONSUMING COUNTRIES WITH MANIPULATION,
AND HAS PARTICULARLY CRITICIZED USDA ESTIMATES
OF WORLD PRODUCTION, WHICH HE CLAIMS HAVE SYSTEM-
ATICALLY EXAGGERATED SUPPLIES. WITH INTERNAL
PRESSURES MOUNTING ON FALLA, IT APPEARS THAT
SOMETHING WILL HAVE TO GIVE HERE UNLESS A
SUBSTANTIAL RISE IN THE WORLD PRICE IS FROZE-
COMING IN THE FAIRLY NEAR FUTURE.
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